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Report of the Secretary-General pursuant to paragraph 5 of resolution 1360 (2001)

I. Introduction

1. The present report is submitted pursuant to paragraph 5 of Security Council resolution 1360 (2001) of 3 July 2001, in which I was requested to provide a comprehensive report to the Council 90 days after the entry into force of the resolution on its implementation. It describes the developments in the implementation of the humanitarian programme in Iraq pursuant to resolution 986 (1995) since my latest report, covering the period up to 1 May 2001, which was submitted to the Council on 18 May 2001 (S/2001/505). Unless stated otherwise, the cut-off date for the data contained in the present report is 31 August 2001.

2. On 23 July 2001, the Government of Iraq, pursuant to paragraph 8 (a) (ii) of Security Council resolution 986 (1995), submitted for my consideration and approval its distribution plan for the new period (phase X) specified in paragraph 1 of resolution 1360 (2001). The distribution plan (S/2001/758) was approved on 1 August 2001.

3. The effective implementation of the humanitarian programme countrywide continues to face a number of serious difficulties and obstacles to which I have drawn the Council's attention repeatedly in my previous reports and which have also been brought regularly to the attention of the Security Council Committee established by resolution 661 (1999) concerning the situation between Iraq and Kuwait, hereinafter referred to as the Committee, by the Office of the Iraq Programme.

4. The programme has suffered because of the cumbersome procedures in the formulation and late submission of the distribution plan, which has been subjected to hundreds of amendments, starting soon after its approval and throughout a given phase and beyond; slow contracting for essential supplies by both the Government of Iraq and the United Nations agencies and programmes; and the inordinate delays in the submission of applications for such contracts to the Secretariat on the part of both the suppliers and the agencies and programmes concerned. Despite difficulties encountered in the approval of applications, there are considerable delays in the opening of letters of credit for large numbers of already approved applications owing to slow action thereon by the Central Bank of Iraq. The unacceptably high level of holds placed on applications by the Committee, with a total value of over $4 billion, continues to affect adversely the efficient implementation of the programme. Furthermore, the absence of an agreement on the implementation of a cash component as envisaged in resolution 1284 (1999) continues to hamper severely the implementation of the programme.

5. Programme implementation has also suffered considerably because of the substantial reduction in revenues received from oil exports when the volume of oil exports under the programme has been reduced or totally suspended by the Government of Iraq, despite the Council's lifting the ceiling on oil revenues. As at 15 September, there were only some $1.2 billion still available for approving additional applications. If all the applications currently being processed are approved and the holds lifted, the ESB (59 per cent) account would be short of funds by over $6 billion.

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II. Revenue generation

A. Oil production and sale of petroleum and petroleum products

6. Since the beginning of phase X, the oil overseers and the Committee have reviewed and approved a total of 107 contracts (including 46 contracts from phase IX extended into phase X, five of which were later cancelled by the State Oil Marketing Organization of Iraq) involving purchasers from 33 countries.[1] The total quantity of oil approved for export under those contracts corresponds to approximately 305 million barrels with an estimated value of 7.7 billion euros ($7.1 billion, at the current rate of exchange).

7. The rate of export of petroleum from Iraq in the current phase (phase X) has been slightly lower than the normal level. During the reporting period, 63 loadings totalling 109 million barrels with an estimated value of 2,552 million euros ($2,337 million, at the current rate of exchange) have been completed. Of the total volume exported, 36.2 per cent was exported through Ceyhan and 63.8 per cent was exported through Mina al-Bakr.

8. The oil overseers have continued to advise and assist the Committee on pricing mechanisms, contract approval and modifications and other pertinent questions relating to exports and monitoring, under resolution 986 (1995) and all subsequent relevant resolutions. The oil overseers and the independent inspection agents from Saybolt deployed to observe oil loadings and transfers have worked closely to ensure the monitoring of the relevant oil installations as well as liftings. The modus operandi for the inspection of oil exports originating from Iraq has remained unchanged.

[1] Algeria (1); Austria (1); Belarus (1); China (7); Cyprus (4); Denmark (1); Egypt (1); France (2); Italy (1); Jordan (7); Kenya (2); Lebanon (2); Liechtenstein (4); Namibia (2); Nigeria (1); Oman (1); Pakistan (4); Panama (3); Qatar (3); Romania (3); Russian Federation (15); Singapore (1); South Africa (1); Spain (2); Switzerland (5); Syrian Arab Republic (7); Thailand (1); Turkey (4); Ukraine (5); United Arab Emirates (8); United Kingdom of Great Britain and Northern Ireland (2); Viet Nam (4); and Yemen (1).

B. United Nations accounts pertaining to the Iraq programme

9. The United Nations accounts pertaining to the Iraq programme are divided into seven separate funds pursuant to paragraph 8 (a) to (g) of Security Council resolution 986 (1995). As at the end of August 2001, 1,162.9 million euros had been deposited into the account for phase X, as authorized under Council resolutions 1284 (1999), 1330 (2000) and 1360 (2001), bringing the total oil sale revenue since the inception of the programme to $37,333.9 million and 9,411 million euros. The allocation of total oil revenue among the various funds and the corresponding expenditures, as at 31 August 2001, are reported in annex I to the present report; the number and value of letters of credit pertaining to oil proceeds and humanitarian supplies are reported in annex II.

10. In paragraph 8 of resolution 1360 (2001), the Security Council requested that I take the necessary steps to transfer the excess funds drawn from the account created pursuant to paragraph 8 (d) of resolution 986 (1995) for the purposes set out in paragraph 8 (a) of that resolution in order to increase the funds available for humanitarian purchases. As will be recalled, a contingency reserve of $200 million has been established, which was set aside at the end of phase VI. In September 2000, an amount of $52 million, constituting the excess funds at the end of phase VII, was redistributed for the purchase of humanitarian supplies. I informed the Council of this in my report of 2 March 2001 (S/2001/186 and Corr.1, para. 26). In July 2001, an amount of $75 million, constituting the excess funds at the end of phase VIII, was also redistributed for the purchase of humanitarian supplies. Owing to the substantial decrease in oil revenues during phase IX, no excess funds were available for redistribution towards the purchase of additional humanitarian supplies during this reporting period; in fact, a shortfall was recorded. A further review will be conducted at the end of the current phase and any excess funds identified at that time will be made available for redistribution accordingly.

11. The fluctuation in the levels of oil revenue underlines the prudence of maintaining the existing percentage for the ESD (2.2 per cent) account, which has been in effect since the inception of the programme. Moreover, the expenditures in this account comprise, in the main, the cost of personnel executing

the oil-for-food programme, which cannot be adjusted easily within the span of one phase. Maintaining the existing ESD (2.2 per cent) allocation is essential to counteract the adverse effect of sudden shortfalls in this account, which have occurred in the past, as well as to provide a measure of operational stability and delivery of services. The mechanism that has evolved has also ensured that the Secretariat reallocates unutilized administrative resources to the purchase of humanitarian supplies.

III. Processing and approval of applications for contracts

A. Processing of applications received under the ESB (59 per cent) account

12. As at 15 September 2001, the Secretariat had received contract applications signed by the Government of Iraq with a total value of $32.8 billion, against a total of $34.58 billion budgeted under the distribution plans for phases I to X. However, the actual funds available for contracting by the Government of Iraq stood at a total of $27.978 billion, which comprised all principal allocations to and interest revenues on the funds in the ESB (59 per cent) account, the reimbursements made and expected from the ESC (13 per cent) account for the bulk procurement of food and medicines, as well as the share of the ESC (13 per cent) account for the cost of oil spare parts. The Committee and the Secretariat had approved or notified 14,687 contract applications with a total value of $26.786 billion. Accordingly, there were some $1.192 billion still available for approving additional applications. A statistical overview of the processing and approval of all applications for contracts submitted under the ESB (59 per cent) account is contained in annex III.

13. The substantial difference between anticipated revenues (planning figures) and the actual proceeds from the sale of oil, as well as the greatly varied rate of submission and/or approval of applications among various sectors of the programme, has resulted in major disparities in the availability of funds to cover other sectors. Consequently, some sectors were almost fully funded up to the distribution plan levels, while a shortage of funds prevented the issuance of approval letters for 381 applications approved in other sectors, totalling $1.232 billion, including agriculture, education, electricity, health and water and sanitation. I should like to express my deep regret that the Government of Iraq has not taken action on the repeated proposals of the Executive Director of the Iraq Programme for revising the distribution plan allocations in the light of the actual availability of funds, in order to ensure the required funding balance among various sectors, as well as the expeditious issuance of the approval letters.

14. Processing of applications has also suffered from major fluctuations in the rate of submission of applications. Intermittent backlogs developed following sudden and large influxes of applications. A sample analysis of the health sector indicated however that the period between the signing of a contract and the submission of its related application to the Secretariat has been reduced from 42 days in phase VIII to 28 days in phase IX and, in the oil sector, from 51 days to 34 days.

15. Although the net value of applications on hold had increased from $3.7 billion in May to $4.05 billion as at 15 September 2001, the relative value of applications on hold declined from 17.8 per cent to 16.77 per cent of the total value of all applications circulated to the Committee. While welcoming the recent technical review by the Committee of the issues relating to the water and sanitation sector, I should like to appeal, once again, for a more expeditious assessment of all sectors, as well as reconsideration of applications placed on hold.

16. The number of applications on which at least one member of the Committee disagreed with the Secretariat experts on whether they contained any items notifiable under resolution 1051 (1996) remained unchanged, at 218, but their value increased by $186 million, and now stands at $648 million, mainly because of a few high-value applications in the electricity sector. It is expected that the recent revision of the lists of items and technologies to which the export-import mechanism approved under resolution 1051 (1996) applies, as well as other measures, will help in reducing such disagreements.

17. The first set of revisions, pertaining to the lists of biological and chemical items (see S/2001/560), came into effect in July 2001. In view of those revisions, the United Nations Monitoring, Verification and Inspection Commission (UNMOVIC) reassessed all the applications previously determined to contain one or

more items on those lists, and confirmed that a total of 163 applications, either still on hold or previously approved, contained none of those items. Of the 81 applications previously on hold for containing such items, and circulated anew to the Committee as amendments, only 18 applications, or 22 per cent, were released subsequently, while the reason for the hold was changed in the remaining cases. The second set of changes, pertaining to the list of nuclear items (see S/2001/561), came into effect on 1 September 2001. UNMOVIC reassessed the relevant applications and, by 15 September 2001, had confirmed that there were no such items in 261 such applications, some of which are being circulated again to the Committee.

18. A total of 801 applications, valued at $1,629 million, have been approved and/or released from hold on the specific condition of "end-use/user" observation, under which full or partial deliveries have been made against 413 applications, valued at some $676 million. In order to facilitate tracking and reporting of those applications, the Office of the Iraq Programme has developed an "end-use/user" verification database, which is now fully operational, and arrangements are made to make its contents available to the Committee members.

19. While I welcome the reduction in the number and value of approved applications for which BNP-Paribas had not received requests from the Central Bank of Iraq to issue letters of credit, I urge the Government of Iraq to further reduce their volume, which still remains very high, involving 643 applications worth $968 million.

20. In expressing my regret at the absence of legitimate commercial protection to the Iraqi buyers, I should like to reiterate my appeal to the Committee to accord the highest priority to taking the measures necessary to protect the ESB (59 per cent) account against commercial malpractice or occasional fraudulent practices.

B. ESC (13 per cent) account

21. As at 15 September 2001, some $5.824 billion was allocated to the ESC (13 per cent) account, of which $4.3 billion was allocated to the United Nations for implementing the humanitarian programme in the three northern governorates. The remaining $1.53 billion was allocated for reimbursement to the ESB (59 per cent) account for the supplies of food, medicine and vaccines delivered to the three northern governorates under the bulk procurement arrangements, as well as the funds charged to the ESC (13 per cent) account for the cost of oil spare parts and equipment. A statistical overview of the processing and approval of all applications for contracts submitted under the ESC (13 per cent) account is contained in annex III.

22. I remain concerned, however, that during the reporting period there has not been much improvement in the rate of submission of applications by United Nations agencies and programmes. The matter has been brought to the attention of the executive heads of all the agencies and programmes concerned.

IV. Observation and monitoring activities

A. Inspection and authentication of humanitarian supplies

23. With the exception of the port of Umm Qasr, where the movement and authentication of goods that had arrived were constrained by a number of logistical factors, the process of inspection and authentication of supplies by the United Nations independent inspection agents in the authorized entry points of Iraq have proceeded normally.

24. The value of all goods delivered to Iraq under all phases and sectors has reached a total of $14.84 billion, including oil spare parts and equipment valued at $903 million. Approval letters were issued for additional goods totalling some $10.715 billion, including $1.3 billion for oil spare parts.

B. Monitoring of oil spare parts and equipment

25. The oil spare parts and equipment inspection team carried out 225 visits to various warehouses and facilities in the south and north of Iraq. The Committee approved a total of 372 contract applications on condition of "end-use/user" and follow-up monitoring, of which the goods approved under 127 contract applications have arrived in Iraq and were inspected by the team, as required. The inspection team is also responsible for carrying out special authentication of

services rendered by foreign suppliers. In view of the increase in the arrival rate of oil spare parts and equipment, and the required monitoring activities, the Executive Director of the Iraq Programme requested the Government of Iraq to agree to an incremental increase in the number of inspectors. I regret that the Government of Iraq has not agreed to such an increase, without which the monitoring ability of the inspection team will be severely constrained.

C. United Nations observation mechanism

26. As part of the reorganization and enhancement of the observation mechanism, the Geographical Observation Unit and the Multidisciplinary Observation Unit of the United Nations Office of the Humanitarian Coordinator in Iraq are in the process of being merged into a single unit.

27. While efficiency, equity and adequacy continue to receive due attention, the observation mechanism currently focuses on responding to end-use/user verification requirements and providing clarifications for contracts on hold. Observation also focused on priority areas of comprehensive tracking, assessments and special reports to highlight both the programme impact on the population and the impact of holds on programme implementation.

28. A new initiative is being undertaken to work with government technical personnel to review cases of contracts on hold and provide the required clarifications, so as to facilitate reconsideration of those contracts by the Committee. Comprehensive assessment reports on the impact of holds in the various humanitarian sectors, including water and sanitation, electricity, health, education and crucial areas of the transport and food handling sectors have been prepared by the sectoral working groups, in cooperation with government counterparts. The reports have been made available to the Committee and it is hoped that they have facilitated the approval of related contracts.

29. Although cooperation with the authorities with regard to United Nations observation activities could be considered to be generally satisfactory, regrettably there are considerable difficulties in carrying out field observations in some specific sectors such as education, electricity and nutrition, because of conditions set by the authorities with regard to the timing, frequency and duration of such observations. The Humanitarian Coordinator and the heads of the United Nations agencies and programmes held joint meetings with the authorities concerned to explain the observation system and mobilize support for it. I should like to request the Government of Iraq to facilitate United Nations observation activities pursuant to the relevant provisions, particularly paragraph 44, of the memorandum of understanding concluded on 20 May 1996 between the United Nations Secretariat and the Government of Iraq.

30. Details on the distribution of observations by sector and type as conducted by the sectoral working groups during the reporting period are contained in annex IV.

V. Programme implementation

A. Sectoral focus

Food

31. The Government of Iraq rejected three consignments of wheat on the grounds that they were of substandard quality. Consequently, the in-country stocks of wheat provided under the programme declined sharply. From its own stock the Government loaned to the programme 25 per cent of the wheat requirements for May, 75 per cent of those for June and 100 per cent of those for July. This might also have been necessary in part to rotate national stocks. As part of its combined management of programme and non-programme stocks, the Government also supplemented the distribution of other commodities that are later reimbursed from the programme stocks.

32. The monthly food basket, distributed throughout the country during the reporting period, provided an average of 2,229 kilocalories and 50.34 grams of protein per person per day, which corresponds to 90 per cent and 84 per cent, respectively, of the 2,472 kcal and 60.2 grams of protein per person per day requirements established under the distribution plans for phases VIII to X. The shortfalls resulted mainly from lower provision of pulses, vegetable oil and dairy products. In particular, the ration scale for pulses was 57 per cent, vegetable oil 83 per cent and dairy products 44 per cent of programme entitlements. On reviewing the stocks, it was noted that only 39 per cent of pulses and

47 per cent of dried whole milk, contracted and approved under phases VI to IX, had been delivered.

33. In the three northern governorates, the World Food Programme is making final preparations for the ration card verification exercise. This exercise aims to improve existing data reliability in order to safeguard the equitable distribution of food rations to each household.

Transport and food handling

34. Although the equipment delivered during the past four months at the port of Umm Qasr, worth $2.2 million, including forklifts, straddle carriers, gooseneck trailers, generators and spare parts for dredgers and tugboats, will significantly improve handling capacity at the port, there is still a great need for new dredgers, service boats and tugboats, which are essential for the maintenance of port access channels and other services at the port, which remain on hold.

35. The Iraqi Republic Railways, which received items worth $14.2 million, corresponding to 30 per cent of its overall receipts under the programme, has given priority to breakdown maintenance, rehabilitation of locomotives and the renewal of old track on the Basrah-Baghdad-Mosul route. The progress in railway reconstruction, however, is slow, owing to the lack of steel strands for the production of concrete sleepers. The lack of functional signalling and telecommunication equipment, contracts which remain on hold, constitutes another major setback.

36. The increase in the volume of humanitarian cargo arriving in the country, the operational constraints of the railway system and the poor condition of the private sector truck fleets all continue to hamper the efficiency of land transport. The new trucks from recently approved contracts will help to mitigate some of the current inadequacies. Holds valued at $392 million, for trucks, spare parts, and other essential supplies, together with the items for tyre factories currently functioning at 20 to 25 per cent of their design capacity, are having a serious negative impact on the country's road transport haulage.

37. In the laboratories of mills and silos, the lack of essential equipment and reagents to carry out basic food quality tests is increasing the risk of distributing contaminated and poor quality food. Most of the existing cold stores are not functional, and the number of available refrigerated trucks is insufficient. Under the programme, cold and deep freeze stores, totalling 4,000 square metres, have already been approved. There is an urgent need to release associated contracts worth $5.4 million.

Health

38. The 200 ambulances previously placed on hold have been released. In June 2001, all the applications for vaccines were released. If the current orders of oral polio vaccine (OPV) and tuberculosis (BCG), diphtheria/pertussis/tetanus (DPT) and measles vaccines arrive on schedule, they will be sufficient to cover the needs in the country until the end of December 2002. Some essential drugs and medicines for chronic diseases are still in short supply because of erratic arrivals.

39. Observation visits were made to the Samarra Drug Industries (SDI) facilities at Samarra, Salah al-Din and Ninewa. The teams observed that most of the machines and equipment in the factories were old and inefficient. Currently, the average production capacity of SDI plants is 35 per cent of their design capacity. SDI production is satisfying, in varying degrees, the needs of the south and centre of Iraq in certain categories of drugs. The problem of supplying these products to the north remains, however, as the Ministry of Health is insisting on direct cash reimbursement, rather than the escrow account transfer currently applicable under the bulk purchase arrangement, as most of the inputs, according to Ministry officials, come from non-programme resources. This is a matter of concern because the reduced level of bulk procurement due to production of drugs at SDI, by not providing the appropriate share of the production to the three northern governorates, is leading to shortages of such drugs in the north. The Secretariat is currently reviewing the matter and will submit proposals thereon to the Committee.

40. Programme inputs have improved some public health parameters in the country. Figures on the trends of communicable diseases released by the Ministry of Health for 1997-2000 showed that the incidence of most communicable diseases has decreased, and that many others have remained stable. However, amoebic dysentery, hydatidosis, toxoplasmosis, typhoid, tuberculosis and visceral leishmaniasis have shown slight increases. The high incidence of water-borne diseases can be largely attributed to the poor state of water and sanitation infrastructures in the country.

41. Serious shortages persist in laboratory diagnostic capacity. This is mainly due to holds placed on related applications. If supplies of McConkey broth do not arrive within a month, most laboratories will not be able to carry out bacteriological analysis. Given the seriousness of the situation, the World Health Organization (WHO) and the Office of the Humanitarian Coordinator are working together to resolve this problem. I appeal to the Committee to review expeditiously its position on this most urgent matter.

42. Vaccine deliveries in the last week of July to the three northern governorates provided stocks of BCG and OPV for three months, measles and tetanus for four months, and DPT for 22 days, resulting in slight improvements in immunization coverage in July, as compared to June. Nine outreach teams in Erbil governorate conducted a small-scale measles, mumps and rubella campaign in which 4,900 children aged 15 to 59 months were immunized. In order to raise the low levels of immunization coverage for measles, the United Nations Children's Fund (UNICEF) and WHO are preparing a vaccination campaign for November 2001.

Nutrition

43. The relatively low funding level, delayed contracting and arrival of supplies, and frequent cancellation of contracts, often due to the inability of the suppliers to meet their contractual obligations, are the main factors limiting the effectiveness of the targeted nutrition programme. Of the $41.5 million allocated for the targeted nutrition programme up to phase IX, contracts valued at $27.9 million had been submitted and approved. Of these, only 51 per cent (valued at $14.4 million) have arrived in the country, while the remaining contracts under phases IV, V, VI and VIII have been cancelled owing to either the inability of the suppliers to deliver (high-protein biscuits and therapeutic milk contracts under phase V) or replace the contaminated supplies (therapeutic milk contracts under IV and VI). No applications have been submitted to the Secretariat under phases VII and IX. Since phase IV, efforts by the United Nations to redress the situation have yielded no results. Observation findings, from the acceptability study carried out by the Nutrition Sectoral Working Group, in collaboration with the Ministry of Health, confirmed that high-protein biscuits have an acceptability rate of nearly 100 per cent. Following this indication, which showed that the biscuits would indeed be consumed, the decision was taken by the Government to increase the allocation for high-protein biscuits, under phase X, to $10 million, which is still inadequate.

44. During the reporting period, the number of operative Community Child Care Units was 2,402. The Government's target of 3,000 units was not met in December 2000 and has been reset for December 2001. Some of the established units have been forced to close for lack of supplies. Constraints on transportation and storage still exist. The release of the application for 189 trucks that have been on hold since October 2000 will partially address the problem.

45. A proposal on a comprehensive nutrition programme, "Improving child nutrition in Iraq", was presented to the Government in June 2001. It recommended the promotion, support and protection of exclusive breastfeeding, control of micronutrient deficiencies and distribution of supplementary foods to children under 5 years of age. In July, the Government of Iraq informed the United Nations that the proposal was still under review.

46. In the three northern governorates, WFP monitoring of the school-feeding project revealed that the distribution of high-protein biscuits positively affected children's behaviour in class and their learning capacity in 86 per cent of targeted schools.

Water and sanitation

47. Access to clean water is still far less than the demand, and sewage-flooded streets, caused by sewer blockages, have become a common phenomenon in many urban areas throughout the centre and south of Iraq. The commissioning of 273 cesspit emptiers and jetting units has helped to prevent the further deterioration of the sewerage network. According to United Nations observations carried out at 6 of the 13 sewage treatment plants in the central and southern governorates, programme inputs have not made any significant impact on improving the quality of the sewage effluent discharged from those facilities. The release from hold of contracts for mechanical and electrical equipment for these facilities is therefore urgently required.

48. Although the overall efficiency of water treatment plants and compact units has increased because of the arrival and installation of items procured

under the programme, the lack of continuous power supply lessened this benefit, reducing actual performance efficiency of water treatment plants by 10 per cent, while the performance efficiency of compact units serving rural populations was reduced by approximately 24 per cent. Some compact units were shut down for lack of raw water, mainly at irrigation canals. Water was provided to consumers by 296 water tankers supplied under the programme. Assessments in Kerbala, Salah al-Din, Anbar, Tameem and Diyala indicated that the tankers were able to satisfy only 25 to 50 per cent of requirements, underlining the urgent need to release from hold contracts for 450 water tankers. The installation of three recently delivered compact units in Baghdad City has helped to supply 200,000 consumers with previously denied potable water.

49. The installation of 70 per cent of the 566 chlorinator units received at water treatment facilities has contributed marginally to the improvement of potable water quality. The lack of laboratory equipment and chemicals, however, is a major limitation to water-quality monitoring. Furthermore, only about one third of the 20,000 chlorine gas cylinders were distributed during this period, owing to the lack of transportation and handling equipment, including protective clothing, currently on hold. The recent distribution of backhoe excavators and crawler excavators facilitated the installation of 280 km of new pipelines, benefiting over 500,000 people. Over 70 per cent of the pipes received to date, however, still remain unutilized at warehouses, because of insufficient handling, transportation and construction equipment for their delivery and installation, and the lack of a cash component.

50. For the three northern governorates, it is estimated that current production capacity of treated water could meet the demands of over 90 per cent of the population, but that, owing to illegal connections and/or leakage in existing networks, contamination is still a widespread problem. Increased efforts are being made to improve the situation. In an effort to reduce illegal connections and water leakage, and to extend the water network to unserved urban areas, the water distribution network was extended to benefit around 916,000 people.

51. Results from water quality tests met chemical standards, although tested samples showed that the water from Erbil and Dahuk urban centres was still unfit for consumption and that water from Sulaymaniyah City was not contaminated and fully met WHO standards. In semi-urban and rural areas of all the three northern governorates, the bacteriological contamination exceeded the allowable limits set by WHO.

Agriculture

52. The supply of irrigation inputs through the programme has steadily improved the efficiency of the governmental irrigation infrastructure. At present, more than 15,000 hectares of arable land have been reclaimed and rehabilitated. Not all were cropped, however, owing to a shortage of irrigation water as a consequence of the prevailing low water levels in the rivers. The harvest of winter crops (wheat and barley), completed in June, was successful owing to good rainfall, which complemented the positive effects of the programme inputs. The summer crops, however, are suffering from a shortage of irrigation water. Planting of sunflower, rice, maize and cotton was restricted to less than 20 per cent in comparison to last summer, with rice being grown just to save the seeds for next year's planting season.

53. The non-release of contracts for over 850 tons of various pesticides for fruit and vegetable production resulted recently in a grave outbreak of whitefly, affecting over 10,000 hectares of citrus orchards in the four governorates of Diyala, Wassit, Kerbala and Baghdad. The infestation is rapidly spreading to neighbouring governorates. Crucial inputs for animal and poultry vaccines, worth $3.753 million, are also on hold. The total lack of urgently needed vaccines against enterotoxaemia, which is endemic in the country, presents a serious threat to the population of small ruminants. Furthermore, laboratory equipment, diagnostic kits, laboratory and cold chain supplies, which are essential to overcome deficiencies of veterinary cold chain and diagnostic facilities, are still on hold.

54. The assessment of on-farm irrigation systems carried out in the governorates of Ninewa, Babylon, Tameem and Salah al-Din revealed that irrigation systems had a positive impact on agricultural production; irrigated and cultivated areas had increased by up to 45 and 47 per cent, respectively, since the acquisition of the equipment.

55. In the three northern governorates, the Food and Agriculture Organization of the United Nations has continued with the rehabilitation of the agro-industries.

The Harir fruit-processing plant was commissioned on 26 June 2001 and, as at 4 August 2001, had produced 590,000 cans of tomato paste. Feasibility studies for the Arbat oil-processing plant, the Derbandikhan dairy factory, the Erbil slaughterhouse, and the slaughterhouses in Erbil and Sulaymaniyah have been finalized. Market survey reports have been produced for oil, fruit and dairy products.

56. In the animal health subsector, reports of four cases of suspected tick-transmitted crimean-congo haemorrhagic fever, causing one human death, prompted emergency spraying of animal corrals, livestock markets and slaughterhouses. Treatment of cattle, sheep and goats was carried out, using an injectable preparation. Active disease surveillance, with particular emphasis on foot-and-mouth disease, continued during the period.

Electricity

57. The deficit in electricity generation is severely affecting consumers — there are power cuts of 2 to 4 hours per day in Baghdad City, 12 hours per day in Baghdad governorate and up to 18 hours per day in most of the other 14 governorates in the centre and south. Although the situation is similar to the same period last year, it is anticipated that it will improve because of the expected commissioning of new gas units.

58. The current available generating capacity in the central and southern governorates of Iraq is estimated at 3,600 megawatts (MW). The regional drought during the past three years has reduced hydropower plant generation from an installed capacity of 1,844 MW to the current capacity of 200 MW. The deficit in power-generating capacity in the country has been steadily increasing over the past four years. The estimated deficit in power for the year 2001 is 2,800 MW. It is expected that the power deficit in 2002 and 2003 could be reduced to 2,000 MW and 1,500 MW, respectively, as the new power-generating units, including the recently released second phase of Al-Quds power-generating station (2 x 125 MW gas units), are installed and connected to the grid. In view of this situation, it is essential that the contracts pertaining to new gas units at Najaf, Dibis and Rumalia, and complementary contracts for large thermal units at Salah al-Din, Al-Shemal and Yousifiya thermal power plants, as well as the rehabilitation contract for the Dura thermal power plant, be approved as soon as possible. In addition, chemicals and equipment for the power plants, communication system, and raw material for local production of cables, conductors and distribution transformers are required as a high priority.

59. Prior to the drought which began at the end of 1998, the two hydropower plants at the Dokan and Derbandikhan dams in the three northern governorates produced some 350 MW, an output insufficient to cover humanitarian and essential civilian needs. The two dams now only produce some 70 to 80 MW. Under the distribution plans for phases VI and VII, provision was made for emergency expansion of the generation capacity to compensate for the shortfall, first through the construction of three 29 MW power plants and, secondly, for the doubling of this capacity.

60. At present, and despite the rains this past winter, the low water levels in the reservoirs at the Dokan and Derbandikhan power plants continue, the Dokan water levels being slightly lower than at this time last year. However, with an increase in the amount of water being released for irrigation purposes, generation from Dokan and Derbandikhan grew over the reporting period. Approximately 20 MW was distributed to Erbil and the rest to Sulaymaniyah, compared to the amounts for the last reporting period, 10 MW and 30 MW, respectively. In Dahuk, which is connected to the national grid, power supply averaged 45 MW, compared with the average of 10 MW over the previous period.

61. As indicated in my previous report (S/2001/505, para. 95), the "common understandings" on national reconnection reached in April 2001 between the local authorities in the three northern governorates were brought to the attention of the Government of Iraq. An early response by the Government of Iraq is necessary as a next step in achieving consensus on the strategy for meeting the long-term electricity needs of the three northern governorates.

62. As part of the emergency generation programme, the last of the three 29 MW diesel plants was commissioned in Sulaymaniyah during the reporting period. Regrettably, because the Government of Iraq did not issue visas for essential technical experts, the three 29 MW diesel plants have had to be run on a reduced mode of 8 to 16 hours per day, instead of the planned 24 hours. The need for continuous operation of these diesel plants is critical, as it is the only secure

means of supplying electricity to local hospitals and major irrigation and water pumping stations.

63. With the visa situation unresolved and in apparent deadlock, the United Nations Development Programme (UNDP) is currently preparing contingency plans for scaling down its operation. This will affect ongoing rehabilitation and construction works, as well as the operation and maintenance of installed generation facilities. Financial claims from contractors resulting from the inability of UNDP to meet its contractual obligations are also expected. Once downsizing is effected, reactivating would involve a lead time of several months.

Education

64. Of the cumulative $2.5 million worth of rehabilitation materials delivered in the country, 85 per cent had been distributed to end-use facilities. However, field observations showed that the materials distributed had not stemmed the deterioration in the sector. A random sample of 250 primary schools in the central and southern governorates showed that 81 per cent of them were in poor or critical condition.

65. The main printing facility of the Ministry of Education still produced less than 10 per cent of textbook requirements. Although about 85 per cent of the spare parts ordered had arrived, the other 15 per cent are also essential and rehabilitation can commence only upon their full delivery and upon the provision of a cash component, which would permit necessary installations to be made and expertise to be obtained. In addition, the Ministry of Education embarked on the process of establishing two new chalk factories, but the project will actually begin only after the arrival of the remaining 50 per cent of the materials ordered under phase V.

66. Since the inception of the programme, 48 per cent of school desks, of the target of 2 million, have been distributed. Although desk production facilities have a combined annual production capacity of 375,000, only 210,000 school desks have been manufactured in the country over the past four years. The facilities have been unable to achieve their production potential because of the erratic pattern of arrival of essential inputs, shortages of electricity supply and the receipt of materials of poor quality or incorrect specifications.

67. In the higher education subsector, recent observation visits reveal that, although some categories of programme inputs such as physical education outfits and transportation vehicles have been received, core items, including computers and laboratory equipment, which would have a direct impact on learning are still on hold. These items are necessary for enhancing practical training and scientific research at all universities and specialized colleges. There is an urgent need for the Committee to review further the applications for the items concerned, which are on the "1051 list". Furthermore, holds on printing equipment are seriously affecting the provision of educational reading materials.

68. The United Nations Educational, Scientific and Cultural Organization is now completing the first phase of its school-mapping project for the three northern governorates. This initiative was introduced to institutionalize and rationalize educational data management, in order to assist educational decision makers in better targeting the distribution of educational resources, including the location of future schools. During the period under review, questionnaires were developed, fielded and collected. Data were encoded and analysis of the data has started. Under this project 322 schools were surveyed in Sulaymaniyah, 204 in Erbil and 132 in Dahuk.

Telecommunications

69. In recent months, some core telecommunications equipment, consisting of microwave, international and national switching systems and mobile network systems, have been released from hold. The installation of this equipment will lead to improvement in the network and in services after about eight months, when the approved equipment arrives in the country and is commissioned. This will bring long-awaited relief to the emergency services and the humanitarian programme. However, a truly tangible impact in this sector can be expected only after the release from hold of fibre-optic cables and systems and data communication networks, which have been on hold for a long time.

70. The activities of the International Telecommunication Union in the three northern governorates included site surveys to determine the coverage areas for the mobile networks in Sulaymaniyah and Dahuk and a visit to Zakho for studying the feasibility of integrating this region into a backbone transmission network. Discussions have been held with the local authorities regarding the preparation

of access roads leading to the Bawa-jee and Safeen sites, as they have been cleared of mines by the United Nations Office for Project Services (UNOPS). In order to prepare the sites of Dinara, Atrush, Bablo, Nizar and Dahuk, a technical survey was completed. Contract negotiations for the installation of switching centres in Erbil, Sulaymaniyah and Dahuk and microwave links connecting them are under way.

Housing

71. Housing conditions for the majority of the population in Iraq are still poor, characterized by dilapidated structures and overcrowding, and further aggravated by low quality of potable water and inadequate disposal of sewage and garbage.

72. The number of building permits issued between 1 May and 31 August 2001 was 27,418, an increase of more than 60 per cent over the number of building permits issued during the preceding four months. The distribution of materials to end-users, upon their request, was efficient. On average, it took only one week for applicants to receive their quota of building materials. In general, the materials at the warehouses were adequate, in both quality and quantity, but occasional shortages of some materials occurred.

73. Despite the subsidies, some end-users still cannot afford the prices of the materials. Indeed, many of them postpone or discontinue the construction of their houses, with the intention of resuming the construction at a later stage, when their financial situation improves. Given the fact that the cost of programme materials represents only a portion of housing costs, other components are important as well. The availability of local construction materials, such as cement and bricks, is crucial to the completion of the construction cycle.

74. Although contracts on hold in the housing sector represent only 6.36 per cent of the cumulative value of submitted contracts, they have a serious negative impact on the sector, as they include spare parts, equipment and machinery that are essential for the rehabilitation of local building material production.

75. With the inclusion of a special allocation component in the distribution plan under phase IX, the Government has embarked on the construction of 12 social housing complexes, with a total of 6,000 units, in nine governorates, namely, Baghdad, Missan, Thi-Qar, Muthanna, Basrah, Qadissiya, Tameem, Ninewa and Salah al-Din.

Settlement rehabilitation

76. In the three northern governorates, the United Nations Centre for Human Settlements (Habitat) is reorienting its programme from an individual project approach to an integrated service package approach. Gradually, housing construction projects will be offered in conjunction with basic services, like water supply, waste disposal services, access roads and other infrastructure, schools and health facilities. It is expected that the new approach will ultimately lead to an area-based plan for a network of interrelated projects. The previously adopted target of 30,000 housing units in two years still holds, but its achievement is significantly dependent on factors outside the influence of the management.

77. In August, UNOPS completed the needs assessment of the internally displaced persons living in temporary shelters in Erbil. Assessments for those in the Dahuk and Sulaymaniyah governorates are close to completion. A major finding so far is the notable lack or dilapidated state of the water and sanitation facilities in many of the surveyed locations. Furthermore, a number of temporary shelters require large-scale construction works beyond minor building repairs. Closer inter-agency coordination is therefore expected with UNICEF, as the lead agency in water and sanitation, as well as Habitat, as the main construction arm of the United Nations, under the programme in the three northern governorates.

78. With regard to the distribution of emergency relief items to internally displaced persons, UNOPS and the Office of the Humanitarian Coordinator have sought to streamline and standardize the verification process to ensure that the authentication of beneficiary lists is completed in a prompt and well-targeted manner. In the short term, support projects for internally displaced persons would focus on those in tents and public buildings. A plan is under way to improve the harsh conditions prevailing in Benislawa camp in Erbil. Work is also under way to set up a tented camp in Chamchamal.

Mine action

79. Recently, UNOPS revised its mine-clearing priorities to focus on a village-centred model rather than independent minefields. In addition, United Nations agencies and local authorities are involved in determining and classifying the various impacts of

minefields on village activities. This radical change in the process is expected to indicate more clearly where needs are the greatest within northern Iraq. Demining resources can then be employed to address specific requirements, including assistance to victims and mine awareness needs.

80. During the past four months, the mine action programme cleared 18 minefields and returned the land to the communities, giving them wider access to grazing and cultivated land, road transport, housing and water.

81. The demining operations have suffered severely from the inordinate delays in and or refusal to grant visas to experts required for the implementation of the programme as well as delays in customs clearance of essential equipment.

B. Special allocation pursuant to paragraph 11 of Security Council resolution 1360 (2001)

82. In paragraph 11 of resolution 1360 (2001), the Security Council called upon the Government of Iraq to take the remaining steps necessary to implement paragraph 27 of resolution 1284 (1999). A considerable number of applications for contracts to improve the warehousing and handling of humanitarian supplies, including trucks, forklifts, cold-chain vehicles and related equipment, have been submitted to the Office of the Iraq Programme. The supplies concerned, however, would not address fully all constraints reported by the United Nations observers, such as lack of appropriate space in many storage facilities. With regard to health supplies, the continuing holds placed on contracts for computer equipment needed for an automated countrywide stock management system, have a serious impact on the effective implementation of the programme.

83. The needs of vulnerable groups are also of concern since the Government has made little or no provision within the distribution plans for the specific needs of female-headed households, children in difficult circumstances and the supplementary feeding programmes organized through the Ministry of Labour and Social Affairs. For the first time, however, in the distribution plan for phase IX, the Government allocated nearly $388 million, while in the phase X distribution plan it allotted in excess of $378 million, under the "special allocation" from funds made available under Council resolutions 1330 (2000) and 1360 (2001). It is recommended that the Government of Iraq address this concern.

84. A total of $194 million was allocated to the Ministry of Housing and Construction to build housing complexes in the governorates "where overcrowding prevails with a high concentration of low-income families". The special allocation also put aside funds for a range of water and sanitation facilities, hospitals, schools, youth sports and recreational facilities. Under phase X, the Government allocated $21 million to the Ministry of Labour and Social Affairs for the rehabilitation of social institutions and the provision of vocational training aids. This was a welcome development because, as the distribution plan noted, it is the "nodal Ministry tasked with the provision of assistance programmes to the most needy segments of the population outside the resolution 986 (1995) arrangements".

85. With regard to the prioritization of goods to be procured, as stipulated in paragraph 27 of resolution 1284 (1999), the Government of Iraq has continued to advise the Office of the Iraq Programme on specific applications and amendments to the distribution plan. With regard to the provision calling upon the Government of Iraq to ensure that there is no time lapse before the involuntarily displaced receive food rations after relocation, preliminary findings indicate that there is no waiting period, and that the ration basket is made available as soon as the individual completes registration.

86. With regard to mine clearance, the number of accidents relating to ordnance and mines in the 15 central and southern governorates of Iraq continues to be a matter of concern. The Government has included mine/ordnance clearance activities within the distribution plan since phase IX, and is finalizing one contract for demining. The Government also provides for all citizens injured in mine-related accidents to benefit from medical and prosthetic supplies made available to Ibn al-Kuff hospital and other health facilities.

87. In the three northern governorates, the focus of the UNICEF social programmes continued to be physical rehabilitation of key institutions that serve vulnerable children, training of caregivers and support in strengthening the management and planning capacity

of the local institutions. During the reporting period, about 5,650 children benefited from rehabilitation services, including the provision and repair of orthoses, prostheses, mobility aids, shoes and physiotherapy. Assistance programmes have also been provided to street and working children at vocational and training centres in Erbil.

C. Cross-sectoral considerations

Planning and information collection

88. During the last four months, the Office of the Humanitarian Coordinator (north), in close collaboration with United Nations agencies and programmes, has continued working, as outlined in paragraph 118 of my last report (S/2001/505), on the development of a common framework for the judicious use of resources provided under ESC (13 per cent) account. The Joint Humanitarian Information Centre has developed a mechanism to permit a more cost-effective exchange of geographical information for purposes of multi-sectoral coordination. The development of the project implementation tracking base has been completed on schedule, and input of data is about to begin. A system for regularly collecting, collating and comparing valid and reliable data on needs and interventions, focused at district level, is also well under way. The district review process, combined with the findings and recommendations of independent technical evaluations carried out by United Nations agencies and programmes, will be of assistance to the inter-agency programme as a whole.

Drought contingency

89. Rainfall data for the period from October 2000 to April 2001 show a higher precipitation in the three northern governorates than in the corresponding period last year, although the reported overall rainfall during this period is about 15 per cent less than average. Inflows and water levels at Dokan and Derbandikhan dams have not improved substantially. In many areas of the region, large springs have already ceased to discharge as a result of insufficient snow cover in the winter season. Consequently, water availability in the summer months for irrigated agriculture was less than in past years, although the winter rains were of sufficient quantity to ensure a good harvest of cereal crops (wheat and barley) on rain-fed fields in many parts of the region.

90. With the expansion of both the population and economic activities, water scarcity in the three northern governorates is worsening, and it is being further exacerbated by drought. Improved inter-agency coordination mechanisms and effective implementation are therefore essential. As a first step, an integrated water management system involving the principal United Nations agencies and programmes has been established to enhance coordination and sustainability.

91. The three priority activities for this season were water resources management and supply, public health and education and public awareness and training. Comprehensive assessment studies have been carried out in the drought-affected areas to identify those villages most stricken by the drought and the interventions required.

Cash component

92. The absence of a cash component in the 15 central and southern governorates of Iraq has impeded the efforts of the humanitarian programme at many levels and has prevented the installation and effective utilization of plant machinery, equipment and supplies.

93. As an example, in the health sector alone, the utilization of power generators, chiller units, haemodialysis machines, electrocardiograph units, end-tidal CO_2 analysers, anaesthesia machines and intensive care ventilators has been either delayed or not completed because of inadequate cash to install and maintain the equipment. None of the power generators has yet been installed for lack of electric cables that needed to be purchased. Many operating theatres, intensive care units and emergency rooms in the hospitals need urgent renovation to allow the installation of some new sensitive equipment, such as haemodialysis machines and MRI units.

94. It is regrettable that the implementation of the provisions of paragraph 24 of resolution 1284 (1999), which would have allowed funds deposited in the escrow account established by resolution 986 (1995) to be used for the purchase of locally produced goods and to meet the local cost for essential civilian needs funded under the programme, remains pending. I therefore reiterate my appeal to the Government of Iraq to grant the necessary visas for the United Nations experts to visit Iraq with a view to expediting the arrangements essential for local procurement and the cash component. I should also like to appeal to the

Security Council to approve expeditiously the proposed arrangements for the utilization of up to 600 million euros from the deposited funds in the escrow account established by resolution 986 (1995) for the oil sector, which I submitted to the Council on 6 June 2001 (see S/2001/566), pursuant to paragraph 15 of resolution 1330 (2000). I should like to express the hope that, once the proposed arrangements are approved for the oil sector, similar modalities could be extended to support activities in other sectors.

Delays in issuance of visas and clearance of imports

95. In my previous report to the Security Council (S/2001/505, para. 121), I referred to the considerable number of delays and refusals in the issuance of visas to United Nations international personnel, consultants and contractors, contrary to the relevant provisions of the memorandum of understanding (S/1996/356). The situation remains unchanged, in large part because of the Government's position regarding the high cost of expatriate personnel carrying out tasks which, in their opinion, could be performed by their own national experts.

96. Since the start of the current phase, 202 visas have been requested and 181 granted. As at 23 September 2001, however, despite the cancellation of 106 requests for visas by UNOPS and 82 by UNDP, the total number of pending visas stood at 231, including 166 visas for UNDP and 32 for UNOPS, which were requested before the start of the present phase. On 23 September, the Government informed the Office of the Humanitarian Coordinator that a total of 88 visas would be granted to UNDP.

97. The long delays in issuing entry visas in connection with the electricity and demining sectors is having a very serious impact on the implementation of the programme in the governorates of Erbil, Dahuk and Sulaymaniyah. Completed installations could not be commissioned until visas were granted for experts needed to oversee the commissioning. The delays in commissioning the projects could also have legal and liability implications for UNDP and the turnkey contractors.

98. The UNOPS mine action programme strategic plan and future operations have been seriously hampered by the delays in issuing visas and clearing technical and communications equipment. These delays have led to the cancellation of demining contracts in support of the UNDP electricity network rehabilitation programme, the importation of the mechanical ground preparation equipment and the establishment of local non-profit mine action organizations. The cancellation of these three contracts has seriously affected the anticipated increases in clearance rates.

99. Owing to new Government regulations, difficulties have been experienced during the reporting period when importing supplies over the border with Turkey for the three northern governorates in support of the programme. Efforts to streamline the procedures in order to shorten the administrative lead times are continuing. It should be noted that these delays resulted in demurrage charges of some $3 million, not taking into account the considerable costs to the United Nations agencies and programmes concerned.

United Nations personnel in Iraq

100. In a note verbale dated 2 September, the Ministry of Foreign Affairs of Iraq informed the Office of the Humanitarian Coordinator of the Government's decision to declare personae non gratae five international staff members of the Office, and requested that they depart from Iraq within 72 hours. According to that note, the Government's decision to expel the staff members concerned was "due to their performing of activities that infringe the national security of the Republic of Iraq, which are inconsistent with their assigned responsibilities". The staff members concerned were the Assistant Humanitarian Coordinator for Observation, the Legal Adviser, the Senior Reports Officer, a reports officer and a data analyst. Only three of those staff members were in Iraq at that time.

101. In a letter dated 3 September 2001 addressed to the Permanent Representative of Iraq to the United Nations, the Executive Director of the Iraq Programme stated that United Nations officials enjoy, under the Convention on the Privileges and Immunities of the United Nations, immunity for their official acts and that, in order to respond to allegations made by a Government that United Nations officials have acted improperly, it is necessary for the Secretary-General to receive all the details and evidence in support of the charges made against a staff member. In the light of his examination of the evidence presented by the Government, the Secretary-General would then decide on his response. The Convention does not provide for

the declaration of a United Nations staff member as persona non grata, unlike the Vienna Convention on Diplomatic Relations, which is an institution of bilateral diplomacy based on reciprocity.

102. Despite several requests, the Government of Iraq did not provide any evidence supporting the charges levelled against the staff members concerned. Purely out of concern for their personal safety and security, the staff members concerned were requested to leave the country as soon as possible, without prejudice either to the relevant provisions of the Convention or to their performance.

VI. Conclusions and recommendations

103. By resolution 986 (1995), Iraq was initially authorized to export oil up to a sum not exceeding $2 billion during a phase of 180 days, which, after the deductions pursuant to relevant resolutions, provided $1.32 billion to programme implementation. The funding levels of the programme were increased by resolutions 1053 (1998) and 1284 (1999), the latter lifting any ceiling on the revenues received from oil exports, which provided to the programme close to $6.5 billion during phase VIII. Regrettably, the $5.556 billion required for the implementation of the approved distribution plan for phase IX could not be made available, owing to the substantial drop in the oil exports from Iraq under the programme.

104. With the increased funding level and the growing magnitude and scope of the programme, which now involves not only, as initially intended, the provision of food, health and medical supplies, but also the rehabilitation of infrastructure, including the oil sector, considerable difficulties are being faced in the effective implementation of the programme within the context of a rigorous sanctions regime imposed by the Security Council. The difficulties have been compounded by the continuing impasse within the Committee on a number of crucial matters, as well as the excessive number of holds placed on applications, the total value of which was $4.05 billion as at 15 September 2001.

105. I should like to reiterate that, with the improved funding level for the programme, the Government of Iraq is indeed in a position to address the nutritional and health concerns of the Iraqi people, particularly the nutritional status of the children. The responsibility for the sectoral allocations in the distribution plans remains with the Government of Iraq, which is also responsible for the selection of its suppliers and contracting under the ESB (59 per cent) account. The Secretariat is involved only after applications are submitted to the Office of the Iraq Programme by the suppliers through their respective permanent and/or observer missions to the United Nations.

106. The implementation of the programme in the three northern governorates, which is carried out by the United Nations on behalf of the Government of Iraq, has been facing considerable difficulties. In addition to the distribution of food and medicine, the programme covers the rehabilitation and reconstruction of infrastructure in a whole array of sectors of increasing size, scope and complexity. The United Nations is involved in implementing projects that are similar to projects covered under regular development programmes. However, in the case of the three northern governorates, the local authorities have informed the United Nations that they have difficulties in paying the salaries of civil servants, teachers and other local officials, and in covering the costs of maintenance and operations of capital assets provided under the programme. I have requested the Executive Director, in full consultation with the United Nations Humanitarian Coordinator in Iraq and the agencies and programmes concerned, to review the situation and submit a report thereon as soon as possible.

107. The effective implementation of the programme in the three northern governorates, particularly in the electricity and demining sector, has also been adversely affected by the inordinate delays in the granting of visas to United Nations personnel, as well as the difficulties encountered in the importation of essential equipment and supplies. I call on the Government of Iraq to take all necessary measures in full compliance with the relevant provisions of the memorandum of understanding.

108. Despite all the difficulties encountered and the criticisms levelled by various quarters against the implementation of the programme, it has made a considerable difference in the lives of the average Iraqi citizen. I believe, however, that a constructive and concerted action by all parties concerned would improve substantially the effectiveness of the programme in alleviating the humanitarian situation in Iraq.

Annex I

Allocation of total oil revenue among the various funds and corresponding expenditures, as at 31 August 2001

1. As at 31 August 2001, 1,162.9 million euros had been deposited into the account for phase X, as authorized under Security Council resolution 1360 (2001), bringing the total oil sale revenue since the inception of the programme to $37,333.9 million and 9,411 million euros.

2. The allocation of total oil proceeds received since the inception of the programme to date and the corresponding expenditures as at 31 August 2001 are as follows:

(a) The sums of $19,563.4 million and 5,349 million euros have been allocated for the purchase of humanitarian supplies by the Government of Iraq, as specified in paragraph 8 (a) of resolution 986 (1995). In addition, $1,124.4 million and 37.1 million euros of interest earned in these accounts were available for the purchase of humanitarian supplies in the central and southern governorates of Iraq. Letters of credit issued by the Banque nationale de Paris, on behalf of the United Nations, amounted to approximately $19,737.5 million and 3,194.7 million euros for humanitarian supplies and oil industry spare parts for Iraq; payments amounted to $13,697.2 million and 179.2 million euros under phases I to X;

(b) The sum of $5,767.8 million has been allocated for the purchase of humanitarian goods to be distributed in the three northern governorates by the United Nations Inter-Agency Humanitarian Programme, as specified in paragraph 8 (b) of Security Council resolution 986 (1995) and as revised by paragraph 2 of resolution 1153 (1998). Expenditures recorded for humanitarian goods approved by the Committee amounted to $3,979.8 million;

(c) The sum of $13,359.9 million has been transferred directly into the United Nations Compensation Fund, as specified in paragraph 8 (c) of resolution 986 (1995). As at 31 August 2001, a total of $224.9 million has been allotted to cover the operating expenditures of the Compensation Commission up to 31 December 2001 and an amount of $12,092.9 million had been allotted for payment of various instalments of A, C, D, E and F category claims;

(d) The sum of $855.8 million has been allocated for the operational and administrative expenses of the United Nations associated with the implementation of resolution 986 (1995), as specified in paragraph 8 (d) of the resolution. Expenditures for administrative costs for all United Nations entities involved in implementing the resolution amounted to $509.6 million;

(e) The sum of $333.2 million has been allocated for operating expenses of the United Nations Special Commission and its successor, the United Nations Monitoring, Verification and Inspection Commission (UNMOVIC), established by Council resolution 1284 (1999), as specified in paragraph 8 (e) of Council resolution 986 (1995). Expenditures for the Commission amounted to $95.7 million;

(f) The sum of $919.2 million has been set aside for the transportation costs of petroleum and petroleum products originating in Iraq exported via the Kirkuk-Yumurtalik pipeline through Turkey, in accordance with paragraph 8 (f) of Council

resolution 986 (1995) and in line with procedures adopted by the Committee. Of that amount, $880.2 million has been paid to the Government of Turkey;

(g) The sum of $139.5 million has been transferred directly to the escrow account established pursuant to Council resolutions 706 (1991) and 712 (1991) for the repayments envisaged under paragraph 6 of resolution 778 (1992), as specified in paragraph 8 (g) of resolution 986 (1995) and subsequently in paragraph 34 of my report dated 1 February 1996 (S/1996/978). The total repayments made amounted to $139.5 million.

Annex II

Letters of credit pertaining to oil proceeds and humanitarian supplies, as at 31 August 2001

Oil proceeds

(United States dollars)

Phase	*Last deposit*	*Number of letters of credit opened*	*Value of letters of credit from oil sales (United States dollars)*
I	27 June 1997	123	2 149 806 395.99
II	2 January 1998	130	2 124 569 788.26
III	30 June 1998	186	2 085 326 345.25
IV	28 December 1998	280	3 027 147 422.35
V	25 June 1999	333	3 947 022 565.12
VI	23 December 1999	352	7 401 894 881.57
VII	10 July 2000	353	8 301 861 931.46
VIII	5 December 2000	319	8 296 257 148.06
Total		**2 076**	**37 333 886 478.06**

Oil proceeds

(Euros)

Phase	*Last deposit*	*Number of letters of credit opened*	*Value of letters of credit from oil sales (euros)*
VIII	29 December 2000	63	1 579 613 927.64
IX	5 July 2001	204	6 668 418 518.42
X	As at 31 August 2001	84	1 162 920 049.16
Total		**351**	**9 410 952 495.22**

Humanitarian supplies for the ESB (59 per cent) account and bulk procurement

Phase	*Number of letters of credit opened*	*Value of letters of credit opened (United States dollars)*	*Bank payments made on delivery (United States dollars)*
I	870	1 229 078 786.79	1 209 308 382.81
II	538	1 193 975 676.69	1 179 588 382.74
III	672	1 210 934 759.07	1 180 833 523.44
IV Humanitarian supplies	705	1 590 269 155.50	1 510 653 623.52
IV Oil spare parts	478	273 895 216.48	238 379 930.47
V Humanitarian supplies	1 046	1 865 029 623.18	1 594 928 612.98
V Oil spare parts	521	286 429 952.77	215 778 977.20
VI Humanitarian supplies	1 583	3 201 082 867.78	2 081 610 641.25
VI Oil spare parts	861	463 856 235.63	267 160 371.75
VII Humanitarian supplies	2 201	3 983 524 693.02	2 396 080 150.47
VII Oil spare parts	672	389 561 236.26	148 564 939.29
VIII Humanitarian supplies	1 412	4 000 152 365.02	1 672 319 606.93
VIII Oil spare parts	75	49 659 453.02	2 042 311.47
Total	**11 634**	**19 737 450 021.21**	**13 697 249 454.32**

Phase	*Number of letters of credit opened*	*Value of letters of credit opened (euros)*	*Bank payments made on delivery (euros)*
VIII Humanitarian supplies	127	257 895 635.52	6 056 430.23
VIII Oil spare parts	29	259 396 012.11	221 662.50
IX Humanitarian supplies	784	2 303 192 108.02	172 957 475.04
IX Oil spare parts	73	345 012 233.28	-
X Humanitarian supplies	14	29 181 141.82	-
X Oil spare parts			-
Total	**1 027**	**3 194 677 130.75**	**179 235 567.77**

Annex III

Status of ESB (59 per cent) account applications for all sectors, as at 15 September 2001

(Millions of United States dollars)

Sector	Total of distribution plan allocations	Applications received		Received vs allocated	Notified approved by United Nations Secretariat		Under processing[a]		Circulated to Committee[b]		Pending at the Committee		Approved by Committee		On hold		Block null void	On hold[c]	On hold[d]
	Value	No	Value	%	No	Value	No	Value	No	Value	No	Value	No	Value	No	Value	No	%	%
Humanitarian	30 978	14 133	29 576	95.47	2 579	6 081	373	1 475	9 822	22 020	0	0	8 765	18 492	1 057	3 528	1 359	16.02	12.56
Oil spare parts	3 600	4 424	3 217	89.37	575	601	433	481	3 240	2 136	0	0	2 768	1 612	472	524	176	24.53	19.15
Grand total	**34 578**	**18 557**	**32 794**	**94.84**	**3 154**	**6 681**	**806**	**1 956**	**13 062**	**24 156**	**0**	**0**	**11 533**	**20 104**	**1 529**	**4 052**	**1 535**	**16.77**	**13.14**

Status of ESC (13 per cent) account applications for all phases, as at 15 September 2001

(Millions of United States dollars)

	13 % account share of allocation	Funds allocated to United Nations[e]	Allocated to imports	Applications received		Notified approved by the United Nations Secretariat		Under processing[a]		Circulated to Committee[b]		Pending at the Committee		Approved by Committee		On hold		Null void	Total arrived
				No	Value	No	Value	No	Value	No	Value	No	Value	No	Value	No	Value		
Total	**5 874**	**3 208**	**1 679**	**4 211**	**1 144**	**219**	**83**	**146**	**30**	**3 656**	**1 031**	**0**	**0**	**3 654**	**1 031**	**2**	**0.27**	**190**	**839**

[a] Under processing includes non-compliant and inactive applications.

[b] Circulated to Committee = approved by Committee + pending + on hold.

[c] Holds as percentage of the value circulated.

[d] Holds as percentage of the value circulated + value notified/Office of the Iraq Programme approved.

[e] "Funds allocated to United Nations" is the balance of funds allocated to United Nations agencies and programmes, after the deduction of the share of the ESC (13 per cent) account for food, medicine/vaccines and oil spare parts which are procured under bulk-purchase arrangements by the Government of Iraq for the entire country.

Annex IV

Sectoral observation table for the period 1 May-31 August 2001

Sector	*Type of observation*			
	Tracking	*Assessment*	*End-use user*	*Total*
Food	23 987	39 680	0	63 667
Transport and food handling	254	118	239	611
Health	1 451	6	729	2 186
Nutrition	1 106	482	0	1 106[a]
Water and sanitation	938	118	1 225	1 321[b]
Agriculture	1 187	585	445	2 217
Electricity	91	204	95	390
Telecommunications	250	2	9	261
Education	769	367	50	1 186
Housing	11 437	3	0	11 440
Total	**41 379**	**41 361**	**1 986**	**84 244**

[a] The total number of visits differs from the sum of the visits by type since the assessments are done together with tracking during the same observation visit.

[b] The total number of visits differs from the sum of the visits by type since the special end-use/user chlorine tracking is done together with regular tracking of items during the same observation visit.